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DEC 6 1996

December 6, 1996

Federal Communications Commission
Office of Secretary

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

RE: CC Docket 92-297
"Rules and Policies for the Local Multipoint Distribution Service"

The attached letter from Bell Atlantic, BellSouth, NYNEX, Pacific Telesis, and SBC Communications was delivered today to Chairman Reed Hundt, Commissioner Rachelle Chong, Commissioner Susan Ness, and Commissioner James Quello. Please file a copy of this correspondence in the record for the above referenced proceeding.

If you have any questions, please direct them to the undersigned on (202) 392-1189.



Attachment

cc: Mr. Rudy Baca
Ms. Jackie Chorney
Ms. Michele Farquhar
Mr. William Kennard
Mr. James Olson
Mr. David Siddall
Mr. Walter Strack
Ms. Suzanne Toller

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December 6, 1996

Chairman Reed E. Hundt
Commissioner Rachelle B. Chong
Commissioner Susan Ness
Commissioner James H. Quello
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

**Re: Rules and Policies for the Local Multipoint Distribution Service
CC Docket 92-297**

Dear Chairman Hundt and Commissioners Chong, Ness and Quello:

The Commission is presently considering rules for Local Multipoint Distribution Service ("LMDS"). The undersigned parties recognize the potential for LMDS to offer a competitive alternative to incumbent cable systems. The Commission also recognizes this potential, and has proposed an allocation of more than 1000 MHz to accommodate the provision of video services.

In the LMDS rules docket, some parties -- potential bidders for the spectrum who could benefit by limiting the competition they will face in acquiring LMDS licenses -- have proposed that the Commission restrict the eligibility of local exchange carriers ("LECs") to acquire LMDS licenses in their existing service territories. Such a restriction would be fundamentally at odds with the 1996 Telecommunications Act and would raise significant legal issues, including First Amendment concerns. Moreover, it would jeopardize the rapid deployment of services to the public and unduly limit the amount of revenue that might be obtained through auctioning this spectrum.

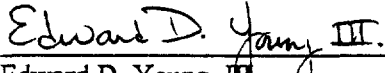
One objective of the 1996 Telecommunications Act was to promote competition with cable systems, and specifically to promote LEC entry into the video services market. Congress clearly expected that LMDS would be among the options LECs could use to enter this market. See 47 U.S.C. §543(l)(1)(D); Conference Report at 170. Restricting the ability of LECs to obtain LMDS licenses would frustrate this expectation.

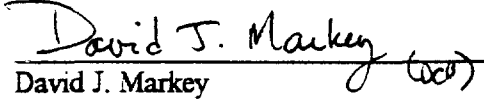
A second objective of the 1996 Act was to encourage investment in new technologies and to maximize consumer choice of services that best meet their information and entertainment needs. See Conference Report at 172; see also §706 of the Act. The proposal to restrict LEC eligibility would undermine these important objectives, contrary to Congressional intent.

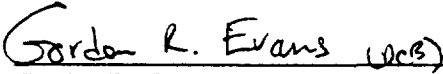
Some parties in this proceeding have argued that LECs would acquire LMDS licenses simply to preempt competitive entry into the local exchange market. These claims are flawed for at least two reasons. First, where LECs have participated in new technologies in the past -- for example, in the cellular market -- competition has flourished. Second, local competition is already developing, and will continue to increase under the new regulatory regime established by the Act. Long distance carriers, competitive access providers, cable system operators, cellular and PCS carriers, satellite-based services, and fixed microwave services like those offered by WinStar and Associated Communications already compete with LECs or are rapidly preparing to do so. Carriers will compete by reselling LEC services, by buying unbundled access to LEC facilities, or by building their own facilities. Given the ever-increasing competitive choices, it makes no sense to argue that LECs would spend multi-millions of dollars to acquire and then "warehouse" LMDS licenses.

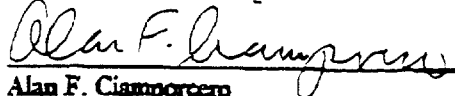
LECs are continuing to make significant investments in wireline infrastructure. Moreover, many LECs are investing in new video and long distance businesses. Investments in LMDS licenses will be made only if they can be economically justified as an efficient alternative to deploying wireline technologies in particular markets. Like their competitors, however, LECs must have the ability to make business judgments among alternative technologies, not have the judgments made for them by regulatory policies. There is no justifiable reason to impose artificial constraints on LECs' use of certain technologies -- technologies which may yield substantial benefits for consumers. A fundamental goal of the Act was to remove barriers to market entry, not erect them. The Commission should adopt an "open entry" policy which allows all qualified entities to bid on LMDS licenses.

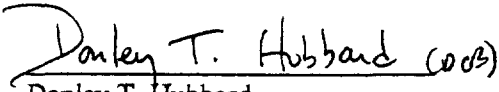
Very truly yours,


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